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FEDERAL-STATE JOINT BOARD STAFF RELEASES MONITORING REPORT

Comprehensive Report Tracks Trends Related to Universal Service

Washington, D.C. – The staff of the Federal-State Joint Board on universal service has released its most recent Monitoring Report on Universal Service. This report reflects information on the telephone industry filed with the Federal Communications Commission (FCC) through May 2004.

The report released today addresses the various universal service support mechanisms, which amounted to over \$5 billion in 2003. In 2003, disbursements among the four categories of universal service mechanisms were: 61.1% for high-cost support; 25.1% for schools and libraries support; 13.4% for low-income support; and 0.4% for rural health care support. The report presents data in eleven categories:

- 1) **Industry Revenues and Contributions** – Total industry revenues for telecommunications services provided to end users in 2003 were about \$234 billion, compared to about \$232 billion in 2002. Revenues for fixed local service providers increased slightly to \$90 billion from \$89 billion, while for wireless service providers they increased to \$85 billion from \$77 billion, and for toll service providers they decreased to \$59 billion from \$67 billion.
- 2) **Low-Income Support** – Total low-income support increased from about \$676 million in 2002 to about \$716 million in 2003.
- 3) **High-Cost Support** – In 2003, total high-cost support amounted to nearly \$3.3 billion, an increase from over \$2.9 billion in 2002. This increase is primarily due to the increase in the interstate common line support mechanism, which began in July 2002.
- 4) **Schools and Libraries Support** – Schools and libraries are making substantial use of their available support, with commitments remaining above \$2 billion and disbursements remaining below \$1.7 billion for the latest school years.

- 5) **Rural Health Care Support** – The demand for rural health care support has remained at a modest level, with disbursements of about \$19.2 million for the fourth year of the program (July 2002 - June 2003), up from \$18.6 million in the prior year.
- 6) **Subscribership and Penetration** – The percentage of households subscribing to telephone service declined slightly to an average of 95.1% in 2003.
- 7) **Rates and Price Indices** – The price index of overall telephone rates decreased 1.4% in 2003 (compared to the general rate of inflation of 2.3% for all goods and services).
- 8) **Network Usage and Growth** – Interstate toll usage for customers of incumbent local exchange carriers declined to 444 billion minutes in 2003 from 486 billion minutes in 2002.
- 9) **Quality of Service** – The data show noticeable differences in the quality of service among carriers. For example, complaints per million residential access lines in 2003 ranged from 19 per carrier to 564.
- 10) **Infrastructure** – Most infrastructure measures remained fairly stable in 2003. One of the few growth areas was fiber sheath kilometers, which grew from nearly 682 thousand in 2002 to over 710 thousand in 2003.
- 11) **Revenues, Expenses and Investment** – For the larger local exchange carriers in 2003, 48% percent of net income was interstate, 32% of revenues was interstate, and 30% of expenses was interstate.

A monitoring program was established in the mid-1980's, at the recommendation of the Separations Joint Board, to track trends related to universal service and related matters. Since then, Joint Board staffs have prepared Monitoring Reports at least once a year -- a compendium of hundreds of pages of statistical data on subscribership and penetration, loop costs, separations factors, universal service fund payments, etc. The report is unique in that it is the only document that includes information on every incumbent local telephone company in the nation. In 1998 the publication of this report was moved from the Separations Joint Board staff to the Universal Service Joint Board staff. This is the seventh Monitoring Report from the Universal Service Joint Board staff.

The full text of this document is available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, SW, Room CY-A257, Washington, DC 20554. This document may also be purchased from the Commission's duplicating contractor, Best Copy and Printing, Inc., Portals II, 445 12th Street, SW, Room CY-B402, Washington, DC 20554, telephone 202-488-5300 or 1-800-378-3160, facsimile 202-488-5563, TTY 202-488-5562, or via e-mail at <fcc@bcpiweb.com>. The report may also be downloaded from the **FCC-State Link** Internet site, which can be reached at <www.fcc.gov/wcb/iatd/stats.html>. It is available in both page image (.pdf) format and in a compressed (.zip) format, which, when unzipped yields text and spreadsheet files.

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